

Conference on Business Management 2017
School of Business Management, Universiti Utara Malaysia, 06010 Sintok, Kedah, Malaysia,

TESTING THE INFLUENCE OF ENVIRONMENTAL MUNIFICENCE ON HOTEL PERFORMANCE

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ABSTRACT

This study examines the influence of environmental munificence on hotels performance. Past literature indicates that few studies were done to examine the effect environmental munificence in hotels and tourist and hospitality industry. Specifically, numerous of previous researches focused on banking and manufacturing industries in developed countries. For that reason, to explore our understanding in this area, the present study conducted in Nigeria hotels industry. The data were collected using survey designed from 83 owner/manager of hotel in Kano North West of Nigeria using census as sampling technique. The data were analyzed using SPSS and SEM AMOS. GRAHIC the findings indicated that environmental munificence is significant on hotels performance. Similarly, the result signifies the appropriateness of SEM in analysis and has contributed better understanding of environmental munificence on hotel performance. Further, finding is significant to practitioners and policy makers in enhancing the practicability/actions on implementing this result. Based on these finding, theoretical and practical implications, and future research suggestions were discussed.

Keywords: Environmental Munificence, Performance, Hotels

Introduction

In global business it has been observed and debate that environment of any business is full of compound and improbability over a period of time (Castrogiovanni, 1991; Jaiyeoba, 2013)). However, no matter the situation environment can extremely and have an effect on business actions and lead to superior performance (Jaiyeoba, 2013). Munificence and dynamism are two commonly studied environmental factor (Jaiyeoba, 2013), munificence refers as the extent to which environment can offer adequate resources to business and support their growth while

dynamism described an volatility and commotion within environment (Alrich, 1979; Dess & Beard, 1984).

Bangudu (2013a) described the environmental situation for businesses in Nigeria as complicated, the economy is repressed by sober issues of social amenities insufficient, particularly with regards to power supply, transportation, logistics, the quality of institutions, cost and access to funds (Bangudu, 2013). All these have obstructed competitiveness of hotel in Nigeria and consequently the circumstance has made the expansion of the economy very difficult (Bangudu, 2013).

In consideration of Nigeria great possible local tourist market, anticipated as the largest in Africa (SMEDAN,2013; Tourist Report, 2012), and its various tourism wealth, the Nigeria federal and several state governments are now deciding to put more substantial investments in and expansion of the tourism industry (SMEDAN,2013; Tourist Report, 2012). Nigeria has objectives to invites interested international tourist market as well as actualizing advantage that attached with local tourist improvement (Tourist Report, 2012). Therefore, the significance of local tourism improvement expected by the federal government of Nigeria cannot be over emphasis, this made government to incorporate best strategic in its tourism policy as to ensure allocation of wealth through change in consumer markets, and stabilization of population in less-favored rural areas through employment (Awaritefe, 2004; Tourist Report, 2012). Additionally, further objectives include increasing the standard of life of Nigerians through better leisure involvement, and make Nigerians to become more familiar with their country, by this means ensuring general thoughtful, peace and unity and increase familiar with others and having knowledge of other's cultures (Awaritefe, 2004; SMEDAN,2013; Tourist Report, 2012).

From 2008 through 2012, the country witness the average annual GDP increase of 7%, getting US\$262.6 billion in 2012, but base on SMEDAN, 2013 report annual GDP growth drastically decrease to 1.7 percent in 2014 (National Bureau of Statistics, 2014).

Literature review and Hypotheses development

Aldrich and Pfeffer (1976); Aminu and Shariff (2015) defined environmental munificence as availability or insufficiency of resources provided by the business environment. Similarly, Dess and Beard (1984) stated that munificence is the capability of the environment to sustain growth and development of business organization. Thus, munificent environment refer to the availability of resource while scarce environment refer to the scarcity of resource provided by the environment. Moreover, Castrogiovanni (1991) defined munificence as the insufficiency or profusion of key organizational resources to be used by working in the same environment.

A munificent environment may imply funding by the government, tax reduction, and lower cost of capital, availability of new technologies, good infrastructure, and substantial market (Rueda Manzanares, Aragon Correa, & Sharma, 2008). Thus, enterprises would get more opportunities to utilize their resources and explore more resources. Similarly, environmental munificence refers to the accessibility of help and sustains services that can improve the performance of business organization. Furthermore, government's rules and actions, entrepreneurial, socioeconomic conditions, and business skills, maintain financial and non-financial sustain to businesses were grouped as the environmental munificence related to the entrepreneurs (Gnyawali & Fogel, 1994; Jaiyeoba, 2013).

Goll and Rashhed (2004) reveal that low environmental munificence lead to several issues /challenges to the business; and recommend that widespread decision process may be more applicable in environment that are little in munificence. Non- munificence environment business devoted to analytical effort to understand master threat.

Therefore, this study define environmental munificence as the extent to which environment adequately sustain the growth of enterprises operating within it by providing resources, assistance and support services that may enhance the performance of the enterprise. In the study conducted by Korunka, Kessler, Frank and Lueger (2010) using survey questionnaire analyzed the data with regression techniques, the study concerned on individual features, resources and business environment as the determinant of business performance, the finding establish that there is significant relation between the individual features, resources and business environment and firm performance (Shehu & Mahmoud, 2014).

Lee (2010) in China stated that business environment and other variable have significant effect on performance (Shehu & Mahmoud, 2014). In South Africa Rogerson and Rogerson (2010) examines the effect of environment on performance and reveals a related finding obtained from the previous research of the World Bank. In addition, Aziz and Yasin (2010) report different conclusion as external environment did not moderate association between market on strategic orientation and firm performance (Shehu & Mahmoud, 2014). In a recent study of Shehu and Mahmoud (2014) report that environment (technology) has considerable and positive effect on product creativity.

Additionally, Sheng, Zhou and Li (2010) conducted a study and their established that political ties do not have strong effect on performance, Yang, Wang, Zhu and Wu (2012) discovered similar findings among senior administrators of manufacturing in China. Babatude and Adebisi (2012) also examined strategic environmental scanning on performance and found the study indicated strong effect between the two variables. The finding of Jalali (2012) establishes those environmental determinants are the most influential effect of export performance. Aminu and Shafiff (2015) state that business employing incorporated strategies in grown-up industries need

to examine the external environment and investigate information concerning their own resources and their ability to certainly enhance performance. The study conducted by Jaiyeoba, (2013) and Jagarathan et al., (1999) in different situation found that environmental munificence is positively affect firm performance.

Based on those arguments the following hypotheses are proposed to be empirically tested:

H1: environmental munificence is significantly related to hotels performance

Theoretical Development

The environment in which business organizations operate may have an important effect on how organizations' activities are conducted. Several studies have shown the role played by business environment in providing opportunities or threats to organizations operating within it (Ensley, et al., 2006; Frank, et al., 2010; Goll & Rasheed, 2004; Tang, et al., 2008; Ullah, 2011).

However, the limitation of other management theories to integrate business environment as a factor that affect the survival of the organization gave birth to contingency theory. For instance the two fundamental assumption of heterogeneity and resources immobility of RBV which explain the firm ability to achieve competitive advantage is static (Barney, 1991). As a result, the ability of the firm to create future valuable resources or how the business environment can shape the resource of the firm was ignored (Balgobin, 2003).

This theory assumed that organizations are organic and open system and there is a association interrelated between an organization and its environment, as well as surrounded by and between its various subsystems (Venkatraman & Prescott, 1990). A contingency theory is behavioral theory that argues that there is no most excellent means to administer organization, to guide a company, or to make decisions (Scott, 2002). The ability to perform depends on the nature of the environment and to some extent at which the organization consider the environment (Scott, 2002).

Contingency theory rejected the notion of management universality, it holds that organizations should plan, define the goals and objectives, and formulate policies according to prevailing environmental conditions. In other words managerial activities, decision and policies must respond to changes in the environment (Fiedler, 1965; Ginsberg & Venkatraman, 1985). It is theorized that the bundle of resources is not the only thing that matter to achieve competitive advantage. Firms must learn about their environment and build up processes and procedures, new skills, and capabilities based on the demand of the environment (Donaldson, 2006).

Contingency theory posits that for each strategic orientation there is a setting of business environment affecting it. Therefore, if organizations match the strategy with the environment they can achieve better performance (Drazin & Van de Ven, 1985).

As the function of strategic management is changing combining and reconfiguring both internal and external organizational competencies, and resources in the direction of the business environment. It is important for firms to study their internal and external environment and address the rapid changes of the business environments (Lee & Miller, 1996). Therefore, if firm possess VRIN resources but does not consider environment then competitive advantage may not be prolonged.

Finally, based on these theoretical basis, it can be concluded that organizations that manage environmental influence by developing, re-organizing and reconfiguring their VRIN resources can achieve better competitive advantage (Aminu & Shariff; 2015; Farrell, et al., 2008).

3. Methodology

3.1 Measurement/ Instrumentation

Consequently, this study used both categories (financial and non financial) performance because over the years many researchers have been using them. Specifically, this study adapted seven items which were used in previous studies (Gorondutse & Hilman, 2015; Hilman & Mohamed, 2011; Kaplan & Norton, 1996; Venkantrannan & Ramanujan, 1986). It is reported that the scale has reliability (i.e Cronbach's alpha) of above .70. For example, —Return on Sales and —Innovation and learning perspective were among of this being addressed. In addition, all items were measured using seven-point Likert scale which is like other constructs.

Castrogiovanni (1991) argued that environmental munificence describes the capacity of environment to encourage organizations in the marketplace. Therefore, the study operationally measure environmental munificence as independent variable measured using 8 items adapted from Tang (2008) and modified in order to suit the context of the study.

3.2 Sample and Data Collection

The population of the study consists of 83 hotels register with Kano State Tourism Board as at 2016. Survey questionnaires were distributed to Hotels owner/manager in Kano state. Due to nature of techniques of analysis the sample were double sizes in order to reduce non-response and measurement error as suggested by (Hair et al., 2008). Hence, to be able to generalize the listed hotels industry, this study adopted the census where every unit in a population is being selected, and this known as complete census. The choosing census as sample size becomes necessary due to small number of population. In additions, the census provide a true measure of

population no sampling error, it also provide quit reliable and accurate result (Hilman & Kaliappen, 2014; Zikmund, Babin, Carr & Griffin, 2010). Equally in order to reduce the bias of single rater two questionnaires were given to each hotel one for owner and one for manager.

Furthermore, the returned questionnaire represent 75.9% response rate, this consider to be enough in social science researches Tabbanik & Fidell (2007), and will provide valid and statistical reliability and generalization. The process of data collection took almost tree month despite series of follow up by research assistance.

3.3 Methods of data analysis:

This study employed structural equation modeling (SEM) which has become a fashionable multivariate approach because it provides a means of assessing theories that is abstractly attractive (Bryne, 2010; Hair et al., 2010). In addition, the study used AMOS graphic software (version 18.0), which includes an SEM package with maximum likelihood evaluation; this is utilized to assesses the measurement and the structural models in order to test study hypotheses. SEM analysis has numerous benchmarks to establish the inclusion of items and the goodness of fit of the model (Bryne, 2010; Hair et al., 2010)

The main criteria of validity in this paper are: The first was used to establish whether scale items converged on a single construct during measurement (Steenkamp & Van Trijp 1991). This was determined from the evaluation of the factor loadings (which must be at least 0.5), composite reliability (at least 0.6) and average extracted variance (at least 0.5) in the study (Hair *et al.* 2010; Fornell & Larcker 1981). While, the second validity is the extent to which a construct is truly different and unique to each other and this measure holding phenomena that other measures do not hold (Bryne, 2010; Hair *et al.* 2010). See Table 1 for quality criterion.

Table 1

Summary Comparisons of Goodness-of-fit Indices of SEM models

GOT Indices	Criterion Guidelines	SEM Results
Chi-square (χ^2) Chi-square Degree of freedom Probability	P > .05 (Jöreskog & Sörbom, 1993)	30.592 .000
Absolute fit measures GFI RMSEA RMR SRMR Normed Chi-square	>.90 (Hair <i>et al.</i> , 2010) <.08 (Browne & Cudeck, 1993) <.05 (Wu, 2009) <.05 (Jöreskog & Sörbom, 1993) < 3 (Hair <i>et al.</i> , 2010)	.942 .190 .107 .04
Incremental fit measure NFI CFI	>.90 (Bentler, 1992) >.90 (Gerbing & Anderson, 1992)	.928 .936
Parsimony fit measurement AGFI PNFI	>.80 (MacCallum & Hong, 1996) >.50 (Wu, 2009)	.782 .371

4. Results and Discussion.

4.1 Descriptive analysis

The below Table shows descriptive statistic for the environmental munificence (EM) and performance (OP), based on the SPSS output the mean value of OP was moderately far above the than the mean value of EM which established to be 4.926. Hence, the result shows the intensity of EM in influencing performance of hotels in Nigeria.

Table 2:

Descriptive analysis

Constructs	N	Mean	Standard deviation	Minimum	Maximum	Skewness	Kurt.
EM	126	3.977	1.059	2.55	6.38	.782	.061
OP	126	4.926	0.961	2.00	7.00	-.211	.272

4. 2 Measurement Model

Literatures suggest that validity of construct should be measured to authenticate the convergent validity and reliability. In addition, more suggested that discriminant need to be assessed in order to convince the average variance extracted (AVE). Therefore, AVE for each construct should be greater than minimum criteria off 0.5 (Fornel & Larcker, 1981; Hair et al., 2013).

Furthermore, table 4 reveals the results of convergent validity of composite reliability all the variables are above the requirement, thus, above the bench mark of 0.7 (Hair et al., 2013; Nunally, 1978). This include Average Variance Extracted (AVE) is all above the yard stick .value of 0.5 (Hair et al., 2013). Apart from convergent validity, this study confirmed discriminant validity as described in line with (Bagozzi & Lynn, 1982; Fornell & Larcker, 1981). Table 5, shows the adequacy of discriminant validity. Hence this model achieved all the necessary fit of validity.

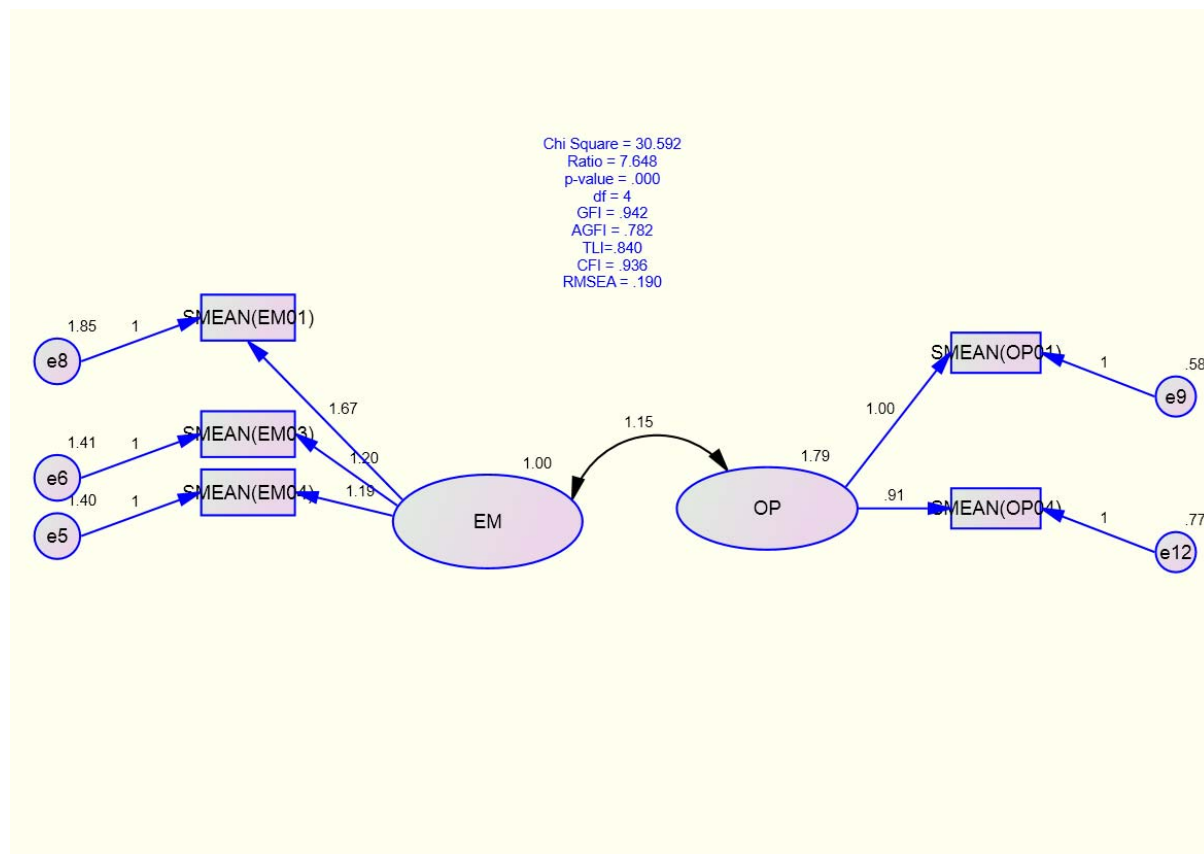


Figure 2
Measurement Model

Table 3

Cross loading

Variable (Items)	IV(Environmental Munificence)	DV(Performance)
EM01	0.776	
EM03	0.711	
EM04	0.710	
OP01		0.869
OP04		0.812

Table 4

Reliability and Validity of Constructs

Items	Loadings	Composite (CR)	Reliability	AVE
EM01	0.776	0.777		0.537
EM03	0.711			
EM04	0.710			
OP01	0.869	0.828		0.707
OP04	0.812			

Table 5

Discriminant validity

Variables	OP	EM
OP	0.841	
EM	0.705	0.732

Note: Diagonal (bold face) represents the square root of the average variance extracted while other entries represent the correlations

4.3 Structural Model Testing

Hu & Bentler, (1999) – the DELTA2 (Bollen, 1989), Comparative fit (CFI) (Bentler, 1990), good-of-fit index (GFI), Tucker-Lewis (TLI), and the root mean square error of approximation (RMSEA) indices, has indicates all the necessary acceptable fit values, A fit to the data was achieved for the CFA, with GFI = 0.942, AGFI = 0.782, TLI = 0.840, CFI = 0.936, and RMSEA = .190 ($\chi^2 = 30.592$, d.f. = 4) see Table 4. 7 and figure 2,3. In addition, base on the above Model fit indices we can conclude that this study has satisfied adequate fit (Bentler, 1990; Bollen, 1989; Hooper, Coughlan & Mullen, 2008 & Hu & Bentler, 1999).

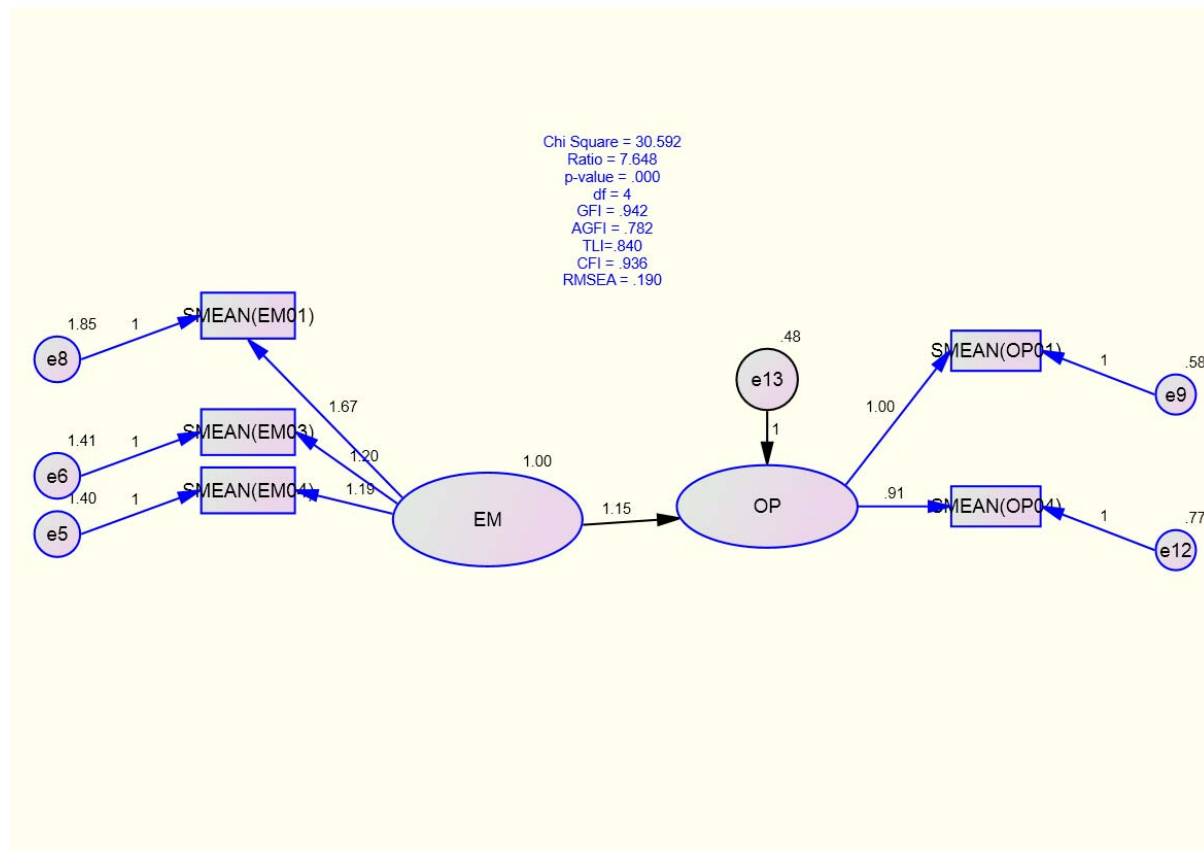


Figure 2

Structural Model

Table 6

Hypothesis testing

Hypotheses	Path coefficient	Standard error	T. value	P. value	Decision
EM-> OP	1.146***	0.107	10.671	0.001	Supported

***: $p < 0.001$; **: $p < 0.05$. (R²) = 28%

R square is another assessment criteria in SEM analysis, this indicate the variance in the dependent variable that is explained by the independent variables. The output shows in Table 6, the R square was found to be 0.313 indicating that EM can account for 31.3% of the variance in the hotels performance in the context of Nigeria. the assessment criterion recommend by Cohen (1988), 0.26 substantial, 0.13 moderate and 0.02 weak; our R² here is considered substantial indicating the power of environmental munificence in explaining hotels performance.

The relationship between environmental munificence on hotels performance is the objective of this study. Thus, the hypothesis that captures this relationship was tested using SEM AMOS Graphics, and was subsequently accepted in line with statistical results. It was found environmental munificence significantly influence hotels performance. In addition the statistical relationship between the two constructs is positive. Thus, the higher the environmental munificence is, the more likely it is to increase hotels performance. The ability to perform depends on the nature of the environment and to some extent at which the organization consider the environment (Scott, 2002).

This study clearly contributes in understanding of the relationship environmental munificence and performance. This is of great value Hotels in Nigeria; this relationship has to be part or must be considered in strategic planning and decision making in order to developed comprehensive understanding hotels performance. In addition, this result is consistent with the finding of (Goll & Rashid, 2004; Jaiyeoba, 2013; Reuda et al., 2008 & Tang, 2008). This indicates that hotels mangers create friendly environment that fosters and facilitate individual alertness to support its operations and service, additionally, this result indicate that the availability of resources in the environment support the hotels in Nigeria which in turn increase performance.

5. Conclusion, Implications, Limitations of Study & Suggestion for Future Studies

In this study an attempt was made to examine the effect of environmental munificence on hotels performance the results has confirm the significant of environmental munificence on hotels performances. This paper extends previous studies of the relationship between environmental munificence and performance by (Goll & Rashid, 2004; Jaiyeoba, 2013; Reuda et al., 2008 & Tang, 2008). Specifically, this research has proven to have a statistically significant effect of environmental munificence on hotels performance, and account 31.3% of the variance in hotels performance this result confirm the existing literature as stated above.

The study has tested empirical evidence of a significant relationship between environmental munificence and performance. Environmental munificence was found to impact a variety of organizational processes. Practitioners will be interested to know that environmental munificence can be a source of sustained competitive advantage under certain conditions. Environmental munificence is related to performance, environmental munificence initiatives may be viewed as important in continuing and improving business performance, therefore, it could be concluded that the result of the study validates the underpinning theory used. While more research remains to be done in this area, this study has at least demonstrated the power of environmental munificence in influencing hotels performance particularly in the context of Nigeria.

It's expected that the outcome of the study can contributes to existing literatures on the relationship between environmental munificence on hotels performance particularly on issue related to services industry. the paper test contingency theory outside the context of USA and Europe firms thereby confirming the theory which postulate that the ability of hotels performance may likely depends on the nature of the environment and to some extent at which the organization consider the environment (Gorondutse & Hilman, 2017; Scott, 2002).

In addition, this paper gives much required information to the potentials Hotels Owners/Managers in relating to the thoughtful of environmental munificence and its influence on hotels performance. Moreover, the policy maker and academics can make used of this study as a contribution to literature. The overall results of the present study confirm that understanding of environmental will manifest in their performance of Nigerian Hotels.

As any research this paper may have some constrained and limitations, firstly, this study is used cross sectional design for survey research, thus, the study cannot be generalized as establish causal relationship on a longitudinal basis with larger context across the cultures of other countries since the data collected during the study was limited to Kano state, Nigeria. Therefore,

to overcome the above limitations, future research can engaged longitudinal approach of the study. In addition, future study can use qualitative or case study technique for design and analysis to see whether the effect may varied.

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